

1996 SMALL BUSINESS PROFILE

SMALL BUSINESS: BACKBONE OF THE RHODE ISLAND ECONOMY

The importance of small business to the state of Rhode Island is once again evident in the 1996 Small Business Profile. The findings reported in this year's profile, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, clearly indicate the crucial role small businesses play in the state's economy.

Of the **24,649** full-time business firms with employees in Rhode Island, **96.9** percent are small businesses (independent businesses with fewer than 500 workers). In addition to the number of employer businesses, there were also **23,000** full-time self-employed persons in Rhode Island in 1995, for a total estimated full-time business population of **47,649** firms.

Small Business Income - the income of sole proprietors and partners rose **7.4** percent to **\$1.3** billion in 1995, while wage-and-salary income rose **4.9** percent. Total personal income rose **5.2** percent to **\$23.5** billion. The state also exported **\$897.4** million of goods and services in 1995.

Rhode Island's number of women-owned businesses, including part-time firms, increased **47.1** percent from 1987 to 1992, totaling **21,353**. The number of Black-owned firms, including part-time firms, increased **75.3** percent from 1987 to 1992, totaling **857** in 1992. The number of Hispanic-owned firms, including part-time businesses, rose **204.5** percent during the same time period with **1,297** firms in 1992. There has also been

a marked increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaska Natives. The number for the group grew from **472** in 1987, to **987** in 1992, representing a **109.1** percent increase.

Small businesses with fewer than 20 employees reported **6.3** percent employment growth from 1991 to 1995. These numbers clearly reflect the importance of small business firms as job creators in the state of Rhode Island.

The composition of small business in Rhode Island is very diverse. The **Health Services** industry is the largest small business employer in Rhode Island. Other significant small business industries are, in descending order: **Eating and Drinking Places, Miscellaneous Manufacturing Industries, Business Services, and Social Services**. The fast-growing industries include **Insurance Carriers, Depository Institutions, Electric/Gas and Sanitary Services, Health Services, and Social Services**.

The number of new firms declined **3.5** percent. However, new business incorporations increased by **9.7** percent. Business bankruptcies declined by **8.5** percent and business failures decreased by **40.4** percent.

An SBA Office of Advocacy study found that Rhode Island's top lenders to small businesses in 1995 were:

1. Washington Trust Company
2. First Bank & Trust Company
3. Pierbank
4. Citizens Trust Company
5. Fleet National Bank
6. Domestic Loan & Investment Company
7. Rhode Island Hosp. Trust National Bank
8. Bay Loan & Trust

In sum, small businesses have a striking impact on Rhode Island's economy. Not only do they play a vital role as job creators, but their diversity and composition provide the work force with endless opportunities.

The following three tables provide further information about the composition of the small business sector in the state. The information is for 1993, the latest year available, and was prepared for the Office of Advocacy, U.S. Small Business Administration by the Bureau of the Census, U.S. Department of Commerce.

The first table lists the industries that were the top five employers in the state, without regard to the size of the firm that provided the jobs. The next to last column in the table shows the percentage of persons employed in firms with fewer than 500 employees (small businesses) in those industries.

The second table lists the industries that employ the most people in firms with fewer than 500 employees. These are the top small business employing industries in the state. The "percent of total" column provides the percentage of total employment in the state accounted for by each of the industries listed.

The third table lists--for the 1991-1993 period--the fastest growing small business industries in the state. As many as five industries are shown. If fewer than 5 industries are shown, it is because 1991-1993 was a recessionary period in which there was little national employment growth. The industries listed represent those in which small businesses sustained the economy during a period of little aggregate employment growth.

Top Five Industries in Rhode Island by Employment, 1993

INDUSTRY	NUMBER OF JOBS	PERCENT OF TOTAL	PERCENT SMALL	RANK
Health Services	49,768	13.7	51.8	1
Eating & Drinking Places	24,648	6.8	75.0	2
Business Services	22,247	6.1	57.1	3
Miscellaneous Manufacturing Ind.	21,163	5.8	70.1	4
Educational Services	16,471	4.5	24.3	5
TOTAL, ALL INDUSTRIES	364,495	100.0	52.9	

Top 5 Small-Business-Dominated Industries in Rhode Island by Employment,
1993

INDUSTRY	NUMBER OF JOBS	PERCENT OF TOTAL	RANK
Health Services	25,793	13.4	1
Eating & Drinking Places	18,488	9.6	2
Miscellaneous Manufacturing Ind.	14,830	7.7	3
Business Services	12,697	6.6	4
Social Services	9,316	4.8	5
TOTAL, SMALL-BUSINESS-DOMINATED INDUSTRIES	192,964	100.0	

Fastest Growing Industries for Small Business in Rhode Island, 1991 - 1993

INDUSTRY	SMALL BUSINESS EMPLOYMENT IN		PERCENT CHANGE, 1991-1993	RANK
	1991	1993		
Business Services	11,831	12,697	7.3	1
Health Services	24,297	25,793	6.2	2
Educational Services	0	4,004	0.0	3